

Message Text

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PAGE 01 SEOUL 07307 010442Z

14

ACTION AGR-20

INFO OCT-01 EA-11 ISO-00 EB-11 COME-00 AID-20 L-03 CIAE-00

INR-10 NSAE-00 RSC-01 OMB-01 TRSE-00 IGA-02 STR-08

DRC-01 /089 W

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R 010548Z NOV 73

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 833

LIMITED OFFICIAL USE SEOUL 7307

EO 11652 NA

TAGS: EAGR, EFIN

SUBJECT: CCC CREDIT FOR WHEAT AND COTTON EXPORTS

REF:

A. STATE 210845

B. SEOUL 6408

C. SEOUL 6981

D. SEOUL 6828

EMBASSY VIEWS ON POINTS LISTED ITEM 1 REFTEL A.

1. FOREIGN EXCHANGE. ON THE REASONABLE ASSUMPTION THAT COMMODITIES WHICH WOULD HAVE BEEN IMPORTED WITH CCC CREDIT WILL BE IMPORTED IN ANY CASE, THE ABSENCE OF SUCH CREDIT WILL PUT A STRAIN ON KOREAN FOREIGN EXCHANGE RESERVES ALREADY SERIOUSLY TAXED BY SUSPENSION OF THE PL 480 PROGRAM. IT WOULD APPEAR THAT THE ONLY ALTERNATIVE FINANCING AVAILABLE IS KFX OR SHORT TERM COMMERCIAL CREDIT WHICH DIFFER LITTLE FROM CASH PAYMENTS.

2. LONG TERM MARKET RETENTION/DEVELOPMENT.

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PAGE 02 SEOUL 07307 010442Z

A. COTTON. USDA WELL AWARE THAT U.S. SIDE

ENCOURAGED FORWARD CONTRACTING AND THESE DISCUSSIONS OCCURRED IN AN ATMOSPHERE OF CONTINUED AVAILABILITY CCC CREDIT. ABRUPT SHIFT FROM PL 480 AND CCC CREDIT TO CASH ONLY AND AT HIGHER PRICES HAS NOT ENHANCED U.S. IMAGE.

B. WHEAT. CONTRACTS WERE MADE AT THE ENCOURAGEMENT OF USDA BUT AT A TIME WHEN IT WAS UNDERSTOOD THAT FUTURE CCC CREDIT WAS QUESTIONABLE. NEVERTHELESS KOFMIA HELD OUT HOPES FOR RENEWAL OF FY 74 LINE. FLOUR MILLERS ARE HAVING GREAT DIFFICULTY ADJUSTING TO FINANCIAL ASPECTS OF THE TRANSITION AS REPORTED IN REFTEL B AND D. THEY ALSO ARE HAVING DIFFICULTY ACCEPTING WHAT THEY TERM "THE NEW U.S. POLICY": NO PL 480, NO CCC CREDIT, REDUCED MARKET DEVELOPMENT, ONLY CASH AT TWO AND A HALF TIMES NORMAL PRICES. WHILE THERE ARE EXPLANATIONS FOR THESE ACTIONS, WHICH WE HAVE ADVANCED ALONG WITH THE FACT THAT THE U.S. IS ONLY SUPPLIER THAT HAS KEPT ITS MARKETS OPEN, THE REACTION BY OUR KOREAN CUSTOMERS REVEALS A DECIDED LOWERING OF OUR IMAGE. THE RESUMPTION OF CCC CREDIT WOULD ENHANCE OUR POSITION IF THE ACTION OCCURS NOW RATHER THAN AFTER SOMEONE ELSE HAS OFFERED CREDIT AND MADE A SALE.
HABIB

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Message Attributes

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Disposition Authority: golinofr
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EO Systematic Review
30 JUN 2005

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